

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CIMC RAFFLES OFFSHORE (SINGAPORE)
LTD. and YANTAI CIMC RAFFLES OFFSHORE
and LIMITED,

Plaintiffs,

v.

SCHAHIN HOLDING S.A., SCHAHIN
ENGENHARIA S.A., SEA BISCUIT
INTERNATIONAL INC., BLACK GOLD
DRILLING LLC, BAERFIELD DRILLING LLC
and SORATU DRILLING LLC,

Defendants.

13 Civ. 0052 (JSR)

DECLARATION OF GUSTAVO SHINOHARA

I, Gustavo Shinohara, declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct, pursuant 28 U.S.C. § 1746:

1. I am the Project Finance Director for the group of companies commonly referred to as Grupo Schahin or the Schahin Group. Unless otherwise stated, I have personal knowledge of the information set forth herein, and if called to testify in this matter would testify as set forth herein.

2. Schahin Engenharia S.A. ("Schahin Engenharia") is the operator of the S.S. Amazonia (owned by Baerfield Drilling LLC), the S.S. Pantanal (owned by Soratu Drilling LLC), the S.C. Lancer (leased by Turasoria S.A. LLC), and the Vitoria 10,000 (leased by Deep Black LLP).



3. Schahin Engenharia is incorporated under the laws of Brazil and has its principal place of business in Brazil.

4. Schahin Engenharia has entered into various security documents for each of the vessels, including Fiduciary Assignment, Operator Security, Pledge Agreement, and Collateral Agency Agreements, to provide the respective lenders and bondholders with full security interests in the project. This includes, for example, a security interest in the services agreement with Petrobras, which the lenders and noteholders have since perfected.

5. Turasoria S.A. LLC leases the drillship Lancer from Turasoria S.A., a Panamanian company that owns the S.C. Lancer. To raise funding, in October 2010 Turasoria S.A. LLC entered into a securitization program through the special purpose entity Lancer Finance Company (SPV) Limited and issued notes under Rule 144A/Regulation S. While the Indenture does contain a waterfall setting out the payment priorities, and provides the bondholders with security in all of the project accounts held at Deutsche Bank Trust Company, the mechanism for payment of operating expenses is different than the structure for S.S. Amazonia and the S.S. Pantanal. One critical distinction is that no operating expenses are paid to Schahin Engenharia from this waterfall.

6. The noteholders have a perfected and fully secured interests in all aspects of the project, including a pledge of Lancer Finance Company (SPV) Limited's rights under a loan made to Turasoria S.A. of the proceeds of the notes, and the underlying collateral for such a loan, including the project accounts held at Deutsche Bank Trust Company Americas, and the right to receive payments under the charter contract between Turasoria S.A. LLC and Petrobras and the

services contract between Schahin Engenharia S.A. and Petrobras, a mortgage on S.C. Lancer, an assignment of the proceeds of insurance policies, and certain spare parts.

7. The drillship Vitoria 10,000 is owned by Petrobras and leased to Deep Black Drilling LLP under a 20-year lease. Financing for the Vitoria is governed by a Master Credit Agreement entered into in December 2009. While this agreement does provides for payment priorities under the credit facility, as with the S.C. Lancer, the mechanism for payment of operating expenses is different than the structure for S.S. Amazonia and the S.S. Pantanal. Operating expenses for the Vitoria 10,000 are not paid to Schahin Engenharia from any of the project accounts in the waterfall.

8. Recently, for the operation of the S.S. Amazonia and the S.S. Pantanal, offshore operating expenses paid through the offshore waterfall have amounted to approximately \$1 to \$2 million each month. Onshore operating expenses, paid through the onshore waterfall, have recently amounted to an additional R\$ 9 to R\$10 million each month, although this figure could increase in the future, including due to employee bonuses that are tied to the performance of the rig. Furthermore, operating expenses for the S.C. Lancer and Vitoria 10,000 account for additional millions of dollars each month, such that cumulatively operating expenses for all of the vessels operated by Schahin Engenharia totals over \$10 million each month.

9. The withholding of operating expenses for every vessel that Schahin Engenharia operates would cause extreme economic hardship to Schahin Engenharia and seriously threaten its ability to continue operating the vessels. This is because Schahin Engenharia does not profit from the payment of operating expenses, which represent actual expenses incurred to operate the rigs, such that Schahin Engenharia acts merely as a conduit for

funds to be paid to employees and other service providers. Offshore operating expenses for all of the rigs are paid directly to the relevant borrower, which then acts as a further conduit to pay supplier expenses related to the rigs, such as insurance and spare parts.

Dated: São Paulo, Brazil
May 15, 2013

Signed at São Paulo, Brazil under penalty of perjury under the laws of the United States of America,

By: 
Gustavo Shinohara